

Redevelopment Agency of the City of Chula Vista

Chula Vista, California

Basic Financial Statements and Independent Auditors' Reports

For the seven months ended January 31, 2012

*(The Chula Vista Redevelopment Agency
has been dissolved as of February 1, 2012)*

Redevelopment Agency of the City of Chula Vista
Basic Financial Statements
For the year ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	6
Statement of Activities and Changes in Net Assets.....	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide	
Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Governmental Statement of Revenues, Expenditures	
and Changes in Fund Balances to the Government-Wide Statement of Activities	
and Changes in Net Assets	16
Notes to the Basic Financial Statements	17
Required Supplementary Information:	
Budgetary Information	44
Budget Comparison Schedules	
Low & Mod Income Housing Special Revenue Fund	45
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in	
Fund Balances – Budget and Actual Schedules:	
Bayfront/Town Centre I Debt Service Fund	48
Town Centre II Otay Valley Southwest Merged Projects Debt Service Fund	49
Independent Auditors' Report on Internal Control Over Financial Reporting	
And On Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	51



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California

We have audited the accompanying financial statements of the government activities and each major fund of the Redevelopment Agency of the City of Chula Vista (the "Agency"), a component unit of the City of Chula Vista, California (the "City"), as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate under the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the basic financial statements, these basic financial statements present only the Agency and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the basic financial statements, on December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation for the dissolution of the California Redevelopment Agencies. The Agency was dissolved on February 1, 2012. On January 12, 2012 the City Council adopted a resolution and continue to assume the housing functions from the former Agency, all housing assets liabilities were transferred to the City and reported in the Low and Moderate Income Housing Special Revenue Fund, and non-housing assets and liabilities were transferred to the Successor Agency to the Chula Vista Redevelopment Agency on February 1, 2012.

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California
Page Two

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of January 31, 2012, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 48 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Paul J. Mc Geady LLP

San Diego, California
March 21, 2013

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Statement of Net Assets
January 31, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 14,689,269
Receivables:	
Interest	20,246
Loans receivable	20,664,325
Restricted cash and investments:	
Held by City	639,024
Held by fiscal agents	5,656,210
Deferred charges, net	763,906
Capital Assets:	
Nondepreciable assets	9,624,870
Depreciable assets, net	<u>1,295,260</u>
Total capital assets	<u>10,920,130</u>
Total assets	<u><u>53,353,110</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	880,295
Interest payable	568,712
Long-term debt	<u>52,992,072</u>
Total liabilities	<u>54,441,079</u>
NET ASSETS	
Investments in capital assets	<u>10,920,130</u>
Restricted for:	
Low and moderate income housing	17,624,450
Debt service	3,579,352
Capital projects	<u>5,078,615</u>
Total restricted	<u>26,282,417</u>
Unrestricted (deficit)	<u>(38,290,516)</u>
Total net assets (deficit)	<u><u>\$ (1,087,969)</u></u>

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula Vista
Statement of Activities and Changes in Net Assets
For the seven months ended January 31, 2012

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 1,448,526	\$ -	\$ -	\$ -	\$ -	\$ (1,448,526)
Interest on long-term debt	1,766,209	-	-	-	-	(1,766,209)
Total governmental activities	<u>\$ 3,214,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,214,735)</u>
		General revenues:				
		Taxes:				
		Property tax increment				7,705,021
		Investment earnings				371,688
		Miscellaneous				249,527
		Transfers from City of Chula Vista				<u>5,569,201</u>
		Total general revenues and transfers				<u>13,895,437</u>
		Change in net assets				10,680,702
		Net assets (deficit) - beginning of year				<u>(11,768,671)</u>
		Net assets (deficit) - end of year				<u>\$ (1,087,969)</u>

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FUND FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Balance Sheet
Governmental Funds
January 31, 2012

	Major Funds			
	Low & Mod Income Housing Special Revenue	Bayfront/ Town Centre I Debt Service	Town Centre II Otay Valley Southwest Merged Projects Debt Service	Bayfront/ Town Centre I Capital Projects
ASSETS				
Cash and investments	\$ 10,570,288	\$ -	\$ 5,570	\$ 2,079,354
Receivables:				
Interest	12,211	31	25	1,164
Loans	20,664,325	-	-	-
Due from other funds	-	-	762	-
Advances to other funds	5,064,092	-	-	3,492,835
Restricted cash and investments:				
Held by Agency	639,024	-	-	-
Held by fiscal agents	-	2,032,907	1,540,819	-
Total assets	\$ 36,949,940	\$ 2,032,938	\$ 1,547,176	\$ 5,573,353
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 7,641	\$ -	\$ -	\$ 202,175
Advances from other funds	-	1,679,556	6,877,371	-
Due to other funds	-	762	-	-
Deferred revenue	19,317,849	-	-	1,100,780
Total liabilities	19,325,490	1,680,318	6,877,371	1,302,955
Fund Balances:				
Nonspendable	6,410,569	-	-	2,392,056
Restricted	11,213,881	2,032,175	1,547,177	1,682,280
Assigned	-	-	-	196,062
Unassigned	-	(1,679,555)	(6,877,372)	-
Total fund balances	17,624,450	352,620	(5,330,195)	4,270,398
Total liabilities and fund balances	\$ 36,949,940	\$ 2,032,938	\$ 1,547,176	\$ 5,573,353

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula Vista
Balance Sheet
Governmental Funds, Continued
January 31, 2012

	Major Fund	
	Town Centre II	
	Otay Valley	
	Southwest	
	Merged	
	Capital Projects	Total
ASSETS		
Cash and investments	\$ 2,034,057	\$ 14,689,269
Receivables:		
Interest	6,815	20,246
Loans	-	20,664,325
Due from other funds	-	762
Advances to other funds	-	8,556,927
Restricted cash and investments:		
Held by Agency	-	639,024
Held by fiscal agents	2,082,484	5,656,210
Total assets	\$ 4,123,356	\$ 50,226,763
LIABILITIES AND FUND BALANCES		
Liabilities:		-
Accounts payable and accrued liabilities	\$ 670,479	\$ 880,295
Advances from other funds	-	8,556,927
Due to other funds	-	762
Deferred revenue	-	20,418,629
Total liabilities	670,479	29,856,613
Fund Balances:		
Nonspendable	-	8,802,625
Restricted	3,396,335	19,871,848
Assigned	56,542	252,604
Unassigned	-	(8,556,927)
Total fund balances	3,452,877	20,370,150
Total liabilities and fund balances	\$ 4,123,356	\$ 50,226,763

See accompanying notes to basic financial statements.

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Redevelopment Agency of the City of Chula Vista
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
January 31, 2012

Total Fund Balances - Total Governmental Funds	\$ 20,370,150
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

Deferred charges, such as bonds issuance costs from issuing debt, were expenditures in the fund financial statements but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.	763,906
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Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.

Nondepreciable	9,624,870
Depreciable, net	1,295,260
Total capital assets, net	10,920,130

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(568,712)
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Long-term liabilities were not due and payable in the current period. Therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term liabilities	(52,992,072)
Total long-term liabilities	(52,992,072)

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	20,418,629
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Net Assets (deficit) of Governmental Activities	\$ (1,087,969)
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Redevelopment Agency of the City of Chula Vista
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the seven months ended January 31, 2012

	Major Funds			
	Low & Mod Income Housing Special Revenue	Bayfront/ Town Centre I Debt Service	Town Centre II Otay Valley Southwest Merged Projects Debt Service	Bayfront/ Town Centre I Capital Projects
REVENUES:				
Taxes	\$ 1,540,904	\$ -	\$ -	\$ 2,028,499
Use of money and property	61,664	47,959	(891)	480,046
Other	100	11	9	3,313
Total revenues	1,602,668	47,970	(882)	2,511,858
EXPENDITURES:				
Current:				
General government	218,892	3,542	1,201	347,508
Capital outlay	-	-	-	113,248
Debt Service:				
Principal	-	1,030,212	37,288	-
Interest and fiscal charges	-	632,467	737,196	-
Total expenditures	218,892	1,666,221	775,685	460,756
REVENUES OVER (UNDER) EXPENDITURES	1,383,776	(1,618,251)	(776,567)	2,051,102
OTHER FINANCING SOURCES (USES):				
Proceeds from advances from City of Chula Vista	-	86,782	143,422	-
Repayment of advances from City of Chula Vista	-	(675,748)	(2,096,281)	-
Transfers in/(out) from City of Chula Vista	4,157,118	-	-	2,500,000
Transfers in	-	2,198,052	3,930,547	-
Transfers out	-	-	-	(2,198,052)
Total other financing sources	4,157,118	1,609,086	1,977,688	301,948
NET CHANGE IN FUND BALANCES	5,540,894	(9,165)	1,201,121	2,353,050
FUND BALANCE (DEFICIT):				
Beginning of year	12,083,556	361,785	(6,531,316)	1,917,348
End of year	<u>\$ 17,624,450</u>	<u>\$ 352,620</u>	<u>\$ (5,330,195)</u>	<u>\$ 4,270,398</u>

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula Vista
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds, Continued
For the seven months ended January 31, 2012

	Major Fund	
	Town Centre II	
	Otay Valley	
	Southwest	
	Merged	
	Capital Projects	Total
REVENUES:		
Taxes	\$ 4,135,618	\$ 7,705,021
Use of money and property	61,977	650,755
Other	246,094	249,527
Total revenues	4,443,689	8,605,303
EXPENDITURES:		
Current:		
General government	552,435	1,123,578
Capital outlay	183,861	297,109
Debt Service:		
Principal	-	1,067,500
Interest and fiscal charges	-	1,369,663
Total expenditures	736,296	3,857,850
REVENUES OVER (UNDER)		
EXPENDITURES	3,707,393	4,747,453
OTHER FINANCING SOURCES (USES):		
Proceeds from advances from City of Chula Vista	-	230,204
Repayment of advances from City of Chula Vista	-	(2,772,029)
Transfers in/(out) from City of Chula Vista	(1,087,917)	5,569,201
Transfers in	-	6,128,599
Transfers out	(3,930,547)	(6,128,599)
Total other financing sources	(5,018,464)	3,027,376
NET CHANGE IN FUND BALANCES	(1,311,071)	7,774,829
FUND BALANCE (DEFICIT):		
Beginning of year	4,763,948	12,595,321
End of year	<u>\$ 3,452,877</u>	<u>\$ 20,370,150</u>

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula Vista
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the seven months ended January 31, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 7,774,829
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Amounts reported for governmental activities in the Statement of Activities were different because:

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the Governmental Funds.	(27,839)
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The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Principal payment of long-term debt	1,067,500
Proceeds from advances from City of Chula Vista	(230,204)
Repayment of advances from City of Chula Vista	2,772,029

Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the Governmental Funds.

Bond discount	(26,118)
Deferred charges	(370,428)

Interest earned on long-term receivables did not provide current financial resources and was not reported as revenue in the Governmental Funds.	(279,067)
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Change in Net Assets of Governmental Activities	\$ 10,680,702
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NOTES TO BASIC FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency of the City of Chula Vista (the "Agency"), a component unit of the City of Chula Vista, California, (the "City") have been prepared in conformity with generally accepted accounting principles ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The Agency is considered a blended component unit of the City. The Agency was created by the City of Chula Vista City Council ("City Council") in October 1972. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Bayfront/Town Centre I Project encompasses approximately 775 acres; its general objective is to redevelop the Bayfront area and the central business district. The goal of the Town Centre II Project, which consists of approximately 212.5 acres in the central area of Chula Vista, is to revitalize the area into a principal regional shopping center. The Otay Valley Road Project area, comprising approximately 770 acres, was created to establish and upgrade infrastructure capital improvements for the promotion of industrial development. The Southwest Project area, comprising approximately 1,100 acres, was created to upgrade the commercial, industrial, residential properties and rights-of-way at a more rapid pace than would occur without a redevelopment plan.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities, therefore only governmental activities are reported.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government - Wide Financial Statements, Continued

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated:

- Due to and from other funds
- Advances to and from other funds
- Transfers in and out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property taxes, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

The Agency reports the following major governmental funds:

Low & Moderate Income Housing Special Revenue Fund is used to account for the 20% portion of the Agency's tax increment revenue that is required to be set aside for low and moderate income housing and related expenditures.

Bayfront/Town Centre I Debt Service Fund is used to account for the repayment of interest and principal on long-term debt, and the accumulation of resources thereof associated with the Bayfront and Town Centre I Project Areas.

Town Centre II/Otay Valley/Southwest Merged Projects Debt Service Fund is used to account for the payment of interest and principal on long-term debt, and the accumulation of resources thereof associated with the Town Centre II, Otay Valley Road, and Southwest Merged Project Areas.

Bayfront/Town Centre I Capital Projects Fund is used to account for the financial resources used in developing the Bayfront and Town Centre I Project Areas.

Town Centre II/Otay Valley/Southwest Merged Projects Capital Projects Fund is used to account for the financial resources used in developing the Town Centre II, Otay Valley Road, and Southwest Merged Project Areas.

C. Cash and Investments

The Agency maintains its cash with the City, which pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these investments are subject to market risk as to change in interest rates.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments, Continued

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Agency and are presented as "Cash and Investments" in the accompanying basic financial statements.

Certain disclosure requirements, if applicable, for deposit and investment risks are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

D. Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	25 years
Improvements other than buildings	15 years
Machinery and equipment	5-20 years

The Agency had no infrastructure assets included in capital assets at January 31, 2012.

F. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Debt, Continued

Fund Financial Statements

The Fund Financial Statements do not present long-term debt. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

G. Property Tax Revenues

Incremental property tax revenues represent property taxes in each project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from each project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid; all property taxes from the project area revert back to the various taxing authorities.

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is March 1. The County of San Diego, California (the "County") bills and collects property taxes and remits them to the Agency according to a payment schedule established by the County.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978.

Property tax revenues are recognized in the fiscal year for which the taxes have been levied.

No allowance for doubtful accounts was considered necessary.

H. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets – This amount consists of capital assets net of accumulated depreciation.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations imposed by other governments.

Unrestricted Net Assets – This amount represents the remaining net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Agency’s policy is to apply restricted resources first.

J. Fund Balance

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance – This amount indicates the portion of funds balances which cannot be spent because they are either not in spendable form, such as prepaid items, inventories or loans receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment.

Restricted Fund Balance – This amount indicates the portion of fund balances which has been restricted a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This amount indicate the portion of fund balances which can only be used for specific purposes pursuant to formal resolution or ordinance of the Agency Board.

Assigned Fund Balance – This amount indicates the portion of fund balances which is constrained by the Agency’s intent to be used for specific purpose, but is neither restricted nor committed. The Agency’s Executive Director is authorized to determine and define the amount of assigned fund balances.

Unassigned Fund Balance – This amount indicates the portion of fund balance that do not fall into one of the above categories.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Agency uses the unrestricted resources in the following order: committed, assigned, and unassigned.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The following is a summary of pooled cash and investments and restricted cash and investments at January 31, 2012:

Cash and investments	\$ 14,689,269
Restricted cash and investments:	
Held by Agency	639,024
Held by fiscal agents	<u>5,656,210</u>
Total cash and investments	<u>\$ 20,984,503</u>

The Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents. Where applicable, the Agency follows the City's investment policy.

Cash and investments consisted of the following at January 31, 2012:

Cash:	
Demand deposits with financial institution	<u>\$ 639,024</u>
Total cash	<u>639,024</u>
Investments:	
Local Agency Investment Fund	14,689,269
Investment held by fiscal agents:	
Money Market Fund	2,032,906
U.S. Treasury Obligations	<u>3,623,304</u>
Total investments	<u>20,345,479</u>
Total cash and investments	<u>\$ 20,984,503</u>

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

2. CASH AND INVESTMENTS, Continued

Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Bankers' Acceptance	180 days	40%	30%
Negotiable Certificates of Deposits	5 years	30%	5%
Commercial Paper	270 days	25%	10%
State and Local Agency Bond Issues	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securitites	5 years	None	None
Repurchase Agreement	90 days	None	10%
Reverse-Purchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	5 years	30%	10%
Time Certificates of Deposits	3 years	None	10%
Money Market Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$50 Million**
Investment Trust of California (CalTrust)	N/A	None	10%

* Excluding amounts held by bond trustee that are not subject to California Government Code restriction.

** Maximum is \$50 million per account.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

2. CASH AND INVESTMENTS, Continued

Investments Authorized by Debt Agreement

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreement, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
Federal Home Loan Mortgage Corporation	None	None	None
Farm Credit Banks	None	None	None
Federal Home Loan Banks	None	None	None
Federal National Mortgage Association	None	None	None
Student Loan Marketing Association	None	None	None
Financing Corporation	None	None	None
Resolution Funding Corporation	None	None	None
Certificates of Deposits, Time Deposits and Bankers' Acceptance	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Funds	None	None	None
State Obligations	None	None	None
Municipal Obligations	None	None	None
Repurchase Agreements	None	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Local Agency Investment Fund (LAIF)

The Agency is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency's investments in LAIF at January 31, 2012 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of January 31, 2012, the Agency had \$14,689,269 invested in LAIF, which had invested 5.01% of the pool investment funds in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

2. CASH AND INVESTMENTS, Continued

Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations. Information about the sensitivity of the fair values of the Agency's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

Investment Type	Amount	Remaining Maturity 12 Months of Fewer
Local Agency Investment Fund	\$ 14,689,269	\$ 14,689,269
Held by fiscal agents:		
Money Markt Fund	2,032,906	2,032,906
U.S. Treasury Obligations	3,623,304	3,623,304
Total	\$ 20,345,479	\$ 20,345,479

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To be eligible to receive Agency money, a bank, savings association, federal association, or federally insured industrial loan company has received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods.

Agency investments are rated by the nationally recognized statistical rating organizations as follows:

Investment Type	Fair Value	Moody's	Standard & Poor's
Local Agency Investment Fund	\$ 14,689,269	Not Rated	Not Rated
Held by fiscal agents:			
Money Markt Fund	2,032,906	Not Rated	AAA
U.S. Treasury Obligations	3,623,304	Aaa	AA+
Total	\$ 20,345,479		

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk

Demand Deposits:

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

The market value of pledged securities must equal at least 110% of the Agency's pooled cash deposits. California law also allows institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's total cash deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Agency, however, has not waived the collateralization requirements.

Investments:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian (US Bank). US Bank is the fifth largest commercial bank in the nation.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total Agency's investments are as follows:

Investment Type	Amount Invested	Percentage of Investments
Local Agency Investment Fund	\$ 14,689,269	72.20%
Held by fiscal agents:		
Money Markt Fund	2,032,906	9.99%
U.S. Treasury Obligations	3,623,304	17.81%
Total	\$ 20,345,479	100.00%

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

3. LOANS RECEIVABLE

At January 31, 2012, the Agency had the following loans receivable:

	Governmental Activities		
	Principal	Deferred Interest	Total
South Bay Community Services	\$ 887,994	\$ 323,077	\$ 1,211,071
Heritage (South Bay community Villas L.P.)	4,400,000	1,339,101	5,739,101
Chula Vista Rehabilitation CHIP Loans	1,136,604	137,969	1,274,573
Park Village Apts (Civic Center Barrio Housing Corporation)	200,706	-	200,706
Rancho Buena Vista Housing (Chelsea Investment Corporation)	1,000,000	210,247	1,210,247
Mobile Home Assistance Programs	55,952	-	55,952
St. Regis Park (Chelsea Investment Corporation)	1,387,152	966,212	2,353,364
Main Plaza (Alpha III Development Inc.)	1,500,000	318,863	1,818,863
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	1,120,448	6,800,448
Total	\$ 16,248,408	\$ 4,415,917	\$ 20,664,325

South Bay Community Services

In 1998, the Agency entered into a loan agreement with South Bay Community Services, a California non-profit public benefit corporation. The loan amount of \$478,200 was made to enable South Bay Community Services to develop a 40-unit affordable multi-family housing rental project to provide housing to low income families. The note is secured by a deed of trust on certain property and assignments of rents. Interest accrues annually at 3% of the unpaid principal balance of the note. At January 31, 2012, the outstanding balance of the loan was \$478,200 and interest of \$165,398 has been deferred.

In 1998, the Agency entered into a loan agreement with South Bay Community Services for the acquisition of property located at 1536 Concord Way for a domestic violence shelter site, other transitional living programs or housing for very low income families. The loan is secured by a deed of trust and a promissory note for the properties on behalf of the Agency. Repayment of the loan is limited to annual payment based on residual receipts. At January 31, 2012, the outstanding balance of the loan was \$36,794 and interest of \$29,056 has been deferred.

In 1999, the Agency entered into a \$300,000 loan agreement with South Bay Community Services for the acquisition of a real property at 746 ADA Street, and improving it with a multi-family residential project consisting of 11 units. These units, called the Trolley Trestle, will provide affordable housing for low income young adults who have completed the County of San Diego Foster Care program. The loan is secured by a Deed of Trust and Security Agreement and will accrue 3% interest. Payment of principal and interest will be made from 50% of residual receipts for 55 years. At January 31, 2012, the outstanding balance of the loan was \$373,000 and interest of \$128,623 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

3. LOANS RECEIVABLE, Continued

Heritage (South Bay Community Villas, L.P).

In 2002, the Agency entered into a loan agreement with South Bay Community Villas, L.P. for the development of the Heritage Town Center multi-family rental housing project. Agency assistance is in the form of residual receipt loan secured by a promissory note and deed of trust. The outstanding principal and interest on the loan will be repaid over fifty five years and accrues interest at 3% per annum. Payment of principal and interest on the Agency loan shall be made on an annual basis, out of a fund equal to fifty percent of the net cash flow of the project (residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expense have been paid. At January 31, 2012, the outstanding balance of the loan was \$4,400,000 and interest of \$1,339,101 has been deferred.

Chula Vista Rehabilitation CHIP Loans

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Agency. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. At January 31, 2012, the outstanding balance of the loan was \$1,136,604 and interest of \$137,969 has been deferred.

Park Village Apartments (Civic Center Barrio Housing Corporation)

In 1991, the Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28-unit low income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. In 2009, a second amendment to the loan was entered into changing the interest from 5% to 3% per annum on the unpaid principal balance of the note. At January 31, 2012, the outstanding balance of the loan was \$200,706.

Rancho Buena Vista Housing (Chelsea Investment Corporation)

In 2000, the Agency loaned \$1,000,000 to CIC Eastlake, L.P. for the development and operation of Rancho Vista Housing project, a multifamily affordable housing project. The loan will be secured by promissory notes and deeds of trust. The outstanding principal and interest amount of the loan will be repaid over fifty-five (55) years and accrues interest at the simple interest rate of three (3%) percent per annum. Payment of principal and interest, or portions thereof, on the loan are made on an annual basis, out of a fund equal to fifty (50%) percent of the net cash flow of the project. At January 31, 2012, the outstanding balance of the loan was \$1,000,000 and interest of \$210,247 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

3. LOANS RECEIVABLE, Continued

Mobile Home Assistance Programs

The Agency entered into agreements with eligible residents of the Orange Tree Mobile Home Park, whereby the Agency loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. The loans are secured by deeds of trust on the property and mature in 2017 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. At January 31, 2012, the outstanding balance of the loan was \$55,952.

St. Regis Park (Chelsea Investment Corporation/Sunbow Services Co., LLC)

In 2000, the Agency entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit Pear Tree Apartments at 1025 Broadway. All units are affordable to low income households. The loan is secured by a deed of trust and accrues 6% interest for 52 years. Payment of principal and interest is made on an annual basis out of a fund equal to 90% of the residual receipts. At January 31, 2012, the outstanding balance of the loan was \$1,387,152 and interest of \$966,212 has been deferred.

Main Plaza (Alpha III Development Inc.)

In 2003, the Agency entered into a loan agreement with Main Plaza, LP (Borrower) to assist the borrower in acquiring and improving certain real property for occupation by very low, lower and low and moderate income households. The total loan amount is \$1,500,000 and bears an interest rate of 3% per annum. The loan is due and payable on the date that is 55 years from the date of the Agency's issuance of the Certificate of Completion, which is in 2061. At January 31, 2012, the outstanding balance of the loan was \$1,500,000 and interest of \$318,863 has been deferred.

Los Vecinos (Wakeland Housing and Development Corporation)

In 2008, the Agency entered into a loan agreement with Wakeland Housing and Development Corporation to assist the borrower in constructing 41 affordable multi-family apartment units for occupancy by extremely low, very low and lower income households. The loan was funded by the Agency's Low and Moderate Income Housing Special Revenue Fund. The loan bears an interest rate of 5% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 50% of the residual receipts for years 1-30, 75% of the residual receipts for years 31-54, until 55 years from the date the improvements are placed in service, at which time all principal and unpaid interest shall be due and payable. The improvements were placed in service on February 7, 2008. At January 31, 2012, the outstanding balance of the loan was \$5,680,000 and interest of \$1,120,448 has been deferred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

4. INTERFUND TRANSACTIONS

A. Advances To and Advances From Other Funds

As of January 31, 2012, Interfund balances were as follows:

	Advances from other funds		
	Town Centre I	Town Centre II Otay Valley Southwest Merged Projects	
Advances to other funds	Debt Service	Debt Service	Total
Low & Mod Income Housing Special Revenue	\$ 1,630,732	\$ 3,433,360	\$ 5,064,092
Bayfront/Town Centre I Capital Projects	48,824	3,444,011	3,492,835
Total	\$ 1,679,556	\$ 6,877,371	\$ 8,556,927

B. Transfers In and Out

As of January 31, 2012, transfers were as follows:

	Transfers In		
	Town Centre I	Town Centre II Otay Valley Southwest Merged Projects	
Transfers Out	Debt Service	Debt Service	Total
Bayfront/Town Centre I Capital Projects	\$ 2,198,052	\$ -	\$ 2,198,052
Town Centre II Otay Valley Southwest Merged Projects Capital Projects	-	3,930,547	3,930,547
Total	\$ 2,198,052	\$ 3,930,547	\$ 6,128,599

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

Changes in capital assets during the seven months ended January 31, 2012, were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance January 31, 2012
Capital assets, not being depreciated:				
Land	\$ 9,624,870	\$ -	\$ -	\$ 9,624,870
Total capital assets, not being depreciated	9,624,870	-	-	9,624,870
Capital assets, being depreciated:				
Buildings and improvements	2,386,218	-	-	2,386,218
Machinery and equipment	12,000	-	(12,000)	-
Subtotal	2,398,218	-	(12,000)	2,386,218
Less accumulated depreciation	(1,075,119)	(27,839)	12,000	(1,090,958)
Total capital assets, being depreciated	1,323,099	(27,839)	-	1,295,260
Total capital assets, net	\$ 10,947,969	\$ (27,839)	\$ -	\$ 10,920,130

Depreciation expense of the Agency for the seven months ended January 31, 2012, was \$27,839 and was charged entirely to the general government function of the Agency.

6. LONG-TERM DEBT

Changes in long-term debt during the seven months ended January 31, 2012, were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance January 31, 2012
ERAF Loans:				
2005	\$ 350,000	\$ -	\$ (40,000)	\$ 310,000
2006	535,000	-	(47,500)	487,500
Advances from the City of Chula Vista	12,607,822	230,204	(2,772,029)	10,065,997
Tax Allocation Bonds:				
2006 Senior TAB Series A	11,600,000	-	(520,000)	11,080,000
2006 Subordinate TAB Series B	10,760,000	-	(460,000)	10,300,000
2008 TAB Refunding	21,625,000	-	-	21,625,000
Less: bond discounts	(902,543)	-	26,118	(876,425)
Total	\$ 56,575,279	\$ 230,204	\$ (3,813,411)	\$ 52,992,072

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

7. LONG-TERM DEBT, Continued

ERAF Loans

ERAF Loan – 2005

In May 2005, the Agency entered into a loan agreement with the California Statewide Communities Development Authority in the amount of \$765,000 to finance their 2005 share of ERAF payments to the County Auditor. Interest is payable semi-annually on February 1 and August 1 at interest rates ranging from 3.87% to 5.01%.

The annual debt service requirements for the ERAF Loan – 2005 are as follows:

Year Ending June 30.	Principal	Interest	Total
2012	\$ 40,000	\$ 9,177	\$ 49,177
2013	85,000	14,526	99,526
2014	90,000	10,356	100,356
2015	95,000	5,880	100,880
Total	\$ 310,000	\$ 39,939	\$ 349,939

ERAF Loan – 2006

In May 2006, the Agency entered into a loan agreement with the California Statewide Communities Development Authority in the amount of \$930,000 to finance their 2006 share of ERAF payments to the County Auditor. Interest is payable semi-annually on February 1 and August 1 at interest rates ranging from 5.28% to 5.67%.

The annual debt service requirements for the ERAF Loan – 2006 are as follows:

Year Ending June 30.	Principal	Interest	Total
2012	\$ 47,500	\$ 15,526	\$ 63,026
2013	100,000	25,784	125,784
2014	105,000	20,188	125,188
2015	115,000	14,282	129,282
2016	120,000	7,792	127,792
Total	\$ 487,500	\$ 83,572	\$ 571,072

Advances from the City of Chula Vista

At January 31, 2012, the outstanding balance of the Advances from the City of Chula Vista was \$10,065,997. The proceeds of the advances were to fund projects and debt service payments. There are no set repayment terms in relation to these advances. Payments will be made as tax increment revenues are available for the repayment of the loans. Interest is calculated based on the LAIF average annual yield at the time the advance is made.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

7. LONG-TERM DEBT, Continued

Tax Allocation Bonds

2006 Senior Tax Allocation Refunding Bonds, Series A

In July 2006, the Agency issued the 2006 Senior Tax Allocation Refunding Bonds, Series A in the amount of \$13,435,000 to refinance the Agency's outstanding Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series A, and to satisfy the reserve requirement for the Bonds and provide for the costs of issuing the Bonds. The original bond proceeds were used in the acquisition of property, demolition, relocation, public improvements and funding the Low and Mod Income Housing Project. The bonds consist of serial bonds which mature in 2028. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.00% to 4.60%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2012, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at January 31, 2012 was \$11,080,000.

The annual debt service requirements for the 2006 Senior Tax Allocation Refunding Bonds, Series A outstanding at January 31, 2012 were as follows:

Year Ending June 30.	Principal	Interest	Total
2012	\$ -	\$ 243,572	\$ 243,572
2013	540,000	474,995	1,014,995
2014	565,000	450,133	1,015,133
2015	590,000	424,145	1,014,145
2016	615,000	398,570	1,013,570
2017-2021	3,475,000	1,581,001	5,056,001
2022-2026	4,290,000	734,465	5,024,465
2027-2028	1,005,000	46,805	1,051,805
Total	\$ 11,080,000	\$ 4,353,686	\$ 15,433,686

2006 Subordinate Tax Allocation Refunding Bonds, Series B

In July 2006, the Agency issued \$12,325,000 2006 Subordinate Tax Allocation Refunding Bonds, Series B to refinance the Agency's outstanding Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series C and D, and to satisfy the reserve requirement for the Bonds and provide for the costs of issuing the Bonds. The original bond proceeds were used in the acquisition of property, demolition, relocation, public improvements and funding the Low and Mod Income Housing Project. The bonds consist of \$7,995,000 serial bonds which mature from 2007 to 2021 in amounts ranging from \$290,000 to \$735,000 and term bonds of \$4,330,000 which mature in 2028. Interest is payable semiannually on April 1 and October 1 at interest rates ranging from 4.00% to 6.00%. The bonds are subject to optional redemption on any interest payment date on or after October 1, 2011, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at January 31, 2012 was \$10,300,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

7. LONG-TERM DEBT, Continued

Tax Allocation Bonds, Continued

2006 Subordinate Tax Allocation Bonds, Series B

The annual debt service requirements for the 2006 Subordinate Tax Allocation Refunding Bonds, Series B outstanding at January 31, 2012 were as follows:

Year Ending June 30.	Principal	Interest	Total
2012	\$ -	\$ 260,517	\$ 260,517
2013	480,000	510,234	990,234
2014	500,000	487,934	987,934
2015	525,000	464,096	989,096
2016	550,000	438,559	988,559
2017-2021	3,180,000	1,743,446	4,923,446
2022-2026	4,090,000	814,603	4,904,603
2027-2028	975,000	51,844	1,026,844
Total	\$ 10,300,000	\$ 4,771,233	\$ 15,071,233

2008 Tax Allocation Refunding Bonds

In July 2008, the Agency issued the 2008 Tax Allocation Refunding Bonds in the amount of \$21,625,000 to refinance the Agency's outstanding Merged Redevelopment Project 2000 Tax Allocation Bonds, to satisfy the reserve requirement for the Bonds, to provide for the costs of issuing the Bonds, and to provide funds to finance or refinance redevelopment activities. The bonds consist of \$11,570,000 serial bonds which mature from 2014 to 2028 in amounts ranging from \$575,000 to \$1,020,000 and term bonds of \$3,345,000 and \$6,710,000 which mature in 2031 and 2036 respectively. Interest is payable semiannually on March 1 and September 1 at interest rates ranging from 4.00% to 4.94%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2019, at various redemption prices. The bonds are payable solely from certain tax increment revenues of the Agency and other funds held under the indenture. The balance outstanding at January 31, 2012 was \$21,625,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

7. LONG-TERM DEBT, Continued

Tax Allocation Bonds, Continued

2008 Tax Allocation Refunding Bonds, Continued

The annual debt service requirements for the 2008 Tax Allocation Refunding Bonds outstanding at January 31, 2012 were as follows:

Year Ending June 30.	Principal	Interest	Total
2012	\$ -	\$ 481,818	\$ 481,818
2013	-	963,636	963,636
2014	-	963,636	963,636
2015	575,000	952,136	1,527,136
2016	600,000	928,636	1,528,636
2017-2021	3,360,000	4,257,781	7,617,781
2022-2026	4,110,000	3,491,690	7,601,690
2027-2031	5,105,000	2,471,525	7,576,525
2032-2036	6,405,000	1,137,016	7,542,016
2037	1,470,000	34,913	1,504,913
Total	\$ 21,625,000	\$ 15,682,787	\$ 37,307,787

Pledged Revenues

The Agency has pledged tax revenues to the repayment of the Agency's debts through the final maturity of the Bonds, or early retirement of the Bonds, whichever comes first.

Tax revenues consist of tax increment revenues allocated to the Agency's project areas pursuant to Section 33670 of the Redevelopment Law excluding that portion of such tax increment revenues required to be paid under Tax-Sharing Agreements unless the payment of such amounts has been subordinated to payment of debt services on the Bonds. Tax increment received in 2011-2012 as of January 31, 2012 was \$7,705,021 and total debt service of all Tax Allocation Bonds paid was \$1,986,658. The Bonds required 22% of net revenues. In future years, annual principal and interest payments on the Tax Allocation Bonds are expected to require approximately 30% of tax increment revenues.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

8. DEFERRED REVENUES

A. Fund Financial Statements

Deferred revenue as of January 31, 2012 was reported as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Loan receivable:			
South Bay Community Services	\$ 887,994	\$ 323,077	\$ 1,211,071
Heritage (South Bay Community Villas L.P.)	4,400,000	1,339,101	5,739,101
Chula Vista Rehabilitation CHIP Loans	-	137,969	137,969
Rancho Buena Vista Housing (Chelsea Investment Corporation)	1,000,000	210,247	1,210,247
St. Regis Park (Chelsea Investment Corporation)	1,387,152	966,212	2,353,364
Main Plaza (Alpha III Development Inc.)	1,500,000	318,863	1,818,863
Los Vecinos (Wakeland Housing and Development Corporation)	5,680,000	1,120,447	6,800,447
Advances to other funds	-	1,147,567	1,147,567
Total	<u><u>\$ 14,855,146</u></u>	<u><u>\$ 5,563,483</u></u>	<u><u>\$ 20,418,629</u></u>

9. COMMITMENTS AND CONTINGENCIES

A. Litigation

In addition, the Agency is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management, any liabilities resulting from actions, except for those already disclosed, will not have a material adverse effect on the Agency's financial position.

B. Commitment to the City's General Fund

The City's General Fund has spent a cumulative amount of \$913,429 on unreimbursed City staff time rendered on behalf of the Agency. It is anticipated, however, not assured, that the Agency will repay this amount from tax increment revenues. Currently, tax increment revenues are used to pay for related debt service. As a result, the Agency is uncertain if the amount will be repaid to the City's General Fund. Accordingly, this contingent payable has not been reported in accompanying basic financial statements.

10. RISK MANAGEMENT AND SELF INSURANCE PROGRAMS

The Agency participates in a self-insurance program for workers' compensation and general liability coverage, which is administered by the City. The Agency pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and unreported claims based upon past experience, modified for current trends and information.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

10. RISK MANAGEMENT AND SELF INSURANCE PROGRAMS, Continued

While the ultimate losses incurred through January 31, 2012, are dependent upon future developments, the Agency's management believes that amounts paid are sufficient to cover such losses. Premiums paid by the Agency for the year ended January 31, 2012, were \$10,915.

Citywide information concerning risks, insurance policy limits, deductible and designation of general fund balance for the seven months ended January 31, 2012, may be found in the notes of the City's basic financial statements.

11. DEFICIT FUND BALANCE

At January 31, 2012, the following funds had fund balance deficits:

<u>Fund</u>	<u>Fund Type</u>	<u>Deficit</u>
Town Centre II Otay Valley Southwest Merged Projects Debt Service	Major Governmental Fund	\$ (5,330,195)

Debt Service Fund - The Debt Service Fund for the Merged Project Area had an accumulated deficit of \$5,330,195, which resulted from insufficient revenues and transfers to the City for repayments of other advances. The City expects the fund to be repaid via property tax increment.

12. UNRESTRICTED NET ASSET (DEFICIT)

The unrestricted net deficit of \$40,682,572 is expected to be recovered from future property tax increment revenues. However, due to the dissolution of the Redevelopment Agency, this amount will be transferred to the Successor Agency. See Note 14 for further details.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

13. CLASSIFICATION OF FUND BALANCE

	Low & Mod Income Housing Special Revenue	Bayfront/ Town Centre I Debt Service	Town Centre II Otay Valley Southwest Merged Projects Debt Service	Bayfront/ Town Centre I Capital Projects	Town Centre II Otay Valley Southwest Merged Capital Projects	Total
Nonspendable:						
Advances to other funds	\$ -	\$ -	\$ -	\$ 2,392,056	\$ -	\$ 2,392,056
SERAF Loan	5,017,307	-	-	-	-	5,017,307
Mobile Home Assistance Program Loans	55,952	-	-	-	-	55,952
Civic Center Barrio Housing Improvement Program Loan	200,706	-	-	-	-	200,706
Community Housing Improvement Program Loans	1,136,604	-	-	-	-	1,136,604
Total nonspendable	6,410,569	-	-	2,392,056	-	8,802,625
Restricted:						
Key Marston Associates Inc. Consulting for Annual Review of Residual Receipts	24,334	-	-	-	-	24,334
Low and Moderate Income Housing	11,189,547	-	-	-	-	11,189,547
Debt Service	-	2,032,175	1,547,177	-	-	3,579,352
Capital Projects	-	-	-	1,682,280	3,396,335	5,078,615
Total restricted	11,213,881	2,032,175	1,547,177	1,682,280	3,396,335	19,871,848
Assigned:						
Bayfront Groundwater Project	-	-	-	7,205	-	7,205
Bayfront/Town Center I Plan Amendments	-	-	-	75,237	-	75,237
Storefront Renovation Project	-	-	-	113,620	25,500	139,120
Auto Park Sign Project	-	-	-	-	1,042	1,042
Southwest Residential Revitalization Pilot Program	-	-	-	-	30,000	30,000
Total assigned	-	-	-	196,062	56,542	252,604
Unassigned	-	(1,679,555)	(6,877,372)	-	-	(8,556,927)
Total fund balances	\$ 17,624,450	\$ 352,620	\$ (5,330,195)	\$ 4,270,398	\$ 3,452,877	\$ 20,370,150

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the seven months ended January 31, 2012

14. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Chula Vista that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

After enactment of the law, which occurred on June 29, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the Department of Finance and State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

On January 12, 2012, The City Council of the City of Chula Vista adopted Resolution No. 2203 electing to retain the housing assets and functions previously performed by the dissolved Chula Vista Redevelopment Agency pursuant to Section 34176(a)(1) of the California Health and Safety Code. On January 31, 2012, the former Chula Vista Redevelopment Agency had net assets (deficit) of \$(1,087,969). Due the dissolution of the Chula Vista Redevelopment Agency, the city recorded an extraordinary gain (loss) on dissolution in the amount of \$(28,677,153)

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

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REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information
For the seven months ended January 31, 2012

1. BUDGETARY INFORMATION

An annual budget is adopted by the Board of Directors prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the Executive Director, and a final Executive Director recommended budget that is transmitted to the Board of Directors for its review before the required date of adoption. Once transmitted to the Board of Directors, the proposed budget is made available for public inspection. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires Board of Directors approval. The Executive Director and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require Board of Directors approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year lapse become a part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for the year ended June 30, 2012, was adopted and approved by the Board of Directors for the special revenue and debt service funds. Although only seven months occurred during the fiscal year we are comparing annual budget to seven months of activity. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budgets of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is included in the accompanying basic financial statements.

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the seven months ended January 31, 2012

1. BUDGETARY INFORMATION, Continued

Budgetary Comparison Schedule, Low-Moderate Income Housing Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Use of money and property	17,885	17,885	61,664	43,779
Other	-	-	100	100
Total revenues	17,885	17,885	61,764	43,879
Expenditures:				
Current:				
General government	6,603,775	628,111	218,892	409,219
Total expenditures	6,603,775	628,111	218,892	409,219
REVENUES OVER				
(UNDER) EXPENDITURES	(6,585,890)	(610,226)	(157,128)	453,098
Other Financing Sources (Uses)				
Transfers from City of Chula Vista	2,821,470	7,071,470	4,157,118	(2,914,352)
Transfers in	(159,226)	(10,729,514)	1,540,904	12,270,418
Total other financing sources (uses)	2,662,244	(3,658,044)	5,698,022	9,356,066
Net change in fund balance	<u>\$ (3,923,646)</u>	<u>\$ (4,268,270)</u>	5,540,894	<u>\$ 9,809,164</u>
Fund balance:				
Beginning of year			12,083,556	
End of year			<u>\$ 17,624,450</u>	

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SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Chula Vista
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bayfront/Town Centre I Debt Service Fund
For the seven months ended January 31, 2012

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Use of money and property	\$ -	\$ 47,959	\$ 47,959
Other	-	11	11
	<u>-</u>	<u>47,970</u>	<u>47,970</u>
Total revenues	<u>-</u>	<u>47,970</u>	<u>47,970</u>
Expenditures:			
Current:			
General government	10,000	3,542	6,458
Debt service:			
Principal	1,077,270	1,030,212	47,058
Interest and fiscal charges	1,382,490	632,467	750,023
	<u>2,469,760</u>	<u>1,666,221</u>	<u>803,539</u>
Total expenditures	<u>2,469,760</u>	<u>1,666,221</u>	<u>803,539</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,469,760)</u>	<u>(1,618,251)</u>	<u>851,509</u>
Other Financing Sources (Uses)			
Proceeds from advances from City of Chula Vista	-	86,782	86,782
Repayment of advances from City of Chula Vista	-	(675,748)	(675,748)
Transfers in	2,650,204	2,198,052	(452,152)
Transfers out	(748,227)	-	748,227
	<u>1,901,977</u>	<u>1,609,086</u>	<u>(292,891)</u>
Total other financing sources (uses)	<u>1,901,977</u>	<u>1,609,086</u>	<u>(292,891)</u>
Net change in fund balance	<u><u>\$ (567,783)</u></u>	<u>(9,165)</u>	<u><u>\$ 558,618</u></u>
Fund balance:			
Beginning of year		<u>361,785</u>	
End of year		<u><u>\$ 352,620</u></u>	

Redevelopment Agency of the City of Chula Vista
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Town Centre II Otay Valley Southwest Merged Projects Debt Service Fund
For the seven months ended January 31, 2012

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:			
Use of money and property	\$ -	\$ (891)	\$ (891)
Other	-	9	9
	<u>-</u>	<u>(882)</u>	<u>(882)</u>
Total revenues	<u>-</u>	<u>(882)</u>	<u>(882)</u>
Expenditures:			
Current:			
General government	5,000	1,201	3,799
Debt service:			
Principal	72,730	37,288	35,442
Interest and fiscal charges	1,857,288	737,196	1,120,092
	<u>1,935,018</u>	<u>775,685</u>	<u>1,159,333</u>
Total expenditures	<u>1,935,018</u>	<u>775,685</u>	<u>1,159,333</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,935,018)</u>	<u>(776,567)</u>	<u>1,158,451</u>
Other Financing Sources (Uses)			
Bond discount	-	-	-
Refunding bond issued	-	-	-
Payments to escrow agent trust	-	-	-
Proceeds from advances from City of Chula Vista	-	143,422	143,422
Repayment of advances from City of Chula Vista	-	(2,096,281)	(2,096,281)
Transfers in	13,164,546	3,930,547	(9,233,999)
Transfers out	(577,357)	-	577,357
	<u>12,587,189</u>	<u>1,977,688</u>	<u>(10,609,501)</u>
Total other financing sources (uses)	<u>12,587,189</u>	<u>1,977,688</u>	<u>(10,609,501)</u>
Net change in fund balance	<u><u>\$ 10,652,171</u></u>	<u><u>1,201,121</u></u>	<u><u>\$ (9,451,050)</u></u>
Fund balance:			
Beginning of year		<u>(6,531,316)</u>	
End of year		<u><u>\$ (5,330,195)</u></u>	

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California

We have audited the accompanying financial statements of the government activities and each major fund of the Redevelopment Agency of the City of Chula Vista (the "Agency"), a component unit of the City of Chula Vista, California (the "City"), as of and for the seven months ended January 31, 2012, which collectively comprise the Agency's basic financial, and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness's of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
of the Redevelopment Agency of the City of Chula Vista
Chula Vista, California
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Paul J. McGeady" followed by "LLP". The signature is written in a cursive, flowing style.

San Diego, California
March 21, 2013